UNITED STATES BANKRUPTCY COURT EASTERN DISTRICT OF MICHIGAN SOUTHERN DIVISION

Docket No. 13-53846 IN RE: CITY OF DETROIT,

MICHIGAN,

Detroit, Michigan September 23, 2015

Debtor. 4:30 p.m.

FURTHER HEARING RE. OBJECTION TO CLAIM NUMBER 3451 OF KIM SPICER BEFORE THE HONORABLE THOMAS J. TUCKER UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For City of Detroit Kilpatrick & Associates Water and Sewerage By: RICHARDO KILPATRICK

Department:

615 Griswold, Suite 1708 Detroit, MI 48226-3985

(313) 963-2581

For Kim Spicer: KIM SPICER

In pro per
29375 Sandalwood Roseville, MI 48066

Court Recorder: Jamie Laskaska

United States Bankruptcy Court

211 West Fort Street

21st Floor

Detroit, MI 48226-3211

(313) 234-0068

Transcribed By: Lois Garrett

> 1290 West Barnes Road Leslie, MI 49251

(517) 676-5092

Proceedings recorded by electronic sound recording, transcript produced by transcription service.

THE CLERK: All rise. This court is now in session. The Honorable Thomas J. Tucker is presiding. You may be seated. The Court calls the case of the City of Detroit, Michigan, Case Number 13-53846.

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THE COURT: All right. Good afternoon to everyone. Let's have entries of appearance for this matter starting with the city's counsel.

MR. KILPATRICK: Good afternoon, your Honor. Richardo Kilpatrick appearing on behalf of the City of Detroit Water and Sewerage Department, DWSD.

THE COURT: All right. Good afternoon.

MS. SPICER: Good afternoon. Kim Spicer, City of Detroit, DWSD.

THE COURT: All right. So good afternoon. This is a further hearing, as you both know, on the objection that was filed by the Detroit Water and Sewer Department to the claim filed by Mr. Spicer. The matter number or docket number is 8990. It's Claim Number 3451 of Mr. Spicer. We had a hearing, as you'll recall, back on April 8, I believe it was, initial hearing on this claim objection. The Court ordered some further briefing, a couple of rounds of it actually, and that has occurred, and I have reviewed the briefs and responses and various things filed after the April 8 hearing regarding this claim objection. So let me begin by calling on Mr. Kilpatrick. What would you like to say?

MR. KILPATRICK: Well, initially, your Honor, I'd like to thank the Court for adjourning this matter over from the prior date. I apologize. It was misdocketed by my office, and I apologize to Mr. Spicer for any inconvenience it may have occasioned as well. I have nothing to add to the briefing -- in addition to the supplemental briefing that was done as requested by the Court in the April -- after the April 8th hearing and then subsequently at the beginning of June. I think that the papers adequately set forth the position of the department.

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The last thing I would like to note is that even though this matter has been pending before the Court, no action has been taken by Mr. Spicer to date to further or perfect this claim. At minimum, we need a date certain for him to do whatever he's going to do to liquidate the claim so that there's some certainty before the distribution that's going to be made from the pool of funds which is currently being held for unsecured creditors as part of the plan of adjustment.

THE COURT: Well, I guess I'd like to get some clarification from you at this point of exactly what it is you're asking the Court to do with respect to your claim objection at this point. You saw, I'm sure -- I assume that you saw what happened with the city's objection to the claim of Richard Hall and the hearing -- the last hearing we had on

that and the settlement or the resolution of the claim objection with Mr. Hall. I assume you saw those things. You've not chosen to go down that path, and that's fine. There's no reason you need to in terms of settling this matter with Mr. Spicer in a similar way, but the issues there -- some of the issues were similar involving the claim of Mr. Hall. But with respect to your objection to the claim of Mr. Spicer here, as I recall from the April 8 hearing, you agreed during that hearing, I think correctly so, that your argument about timeliness -- the argument that you make that Mr. Spicer has failed to file a lawsuit within the required 90 days after getting a right to sue letter from the EOC essentially means that his claim is time-barred. And I think you acknowledged in the April 8 hearing that would apply only to any federal claims, discrimination claims, a Title VII claim, and not to any state law claims that Mr. Spicer may have filed or want to pursue under Michigan's Elliott-Larsen Act or Michigan law, so if I'm recalling right, we have that sort of point that even if all your other arguments are welltaken, Mr. Spicer still has -- is not going to be barred by a favorable outcome on your claim objection from pursuing his -- filing suit on his Elliott-Larsen Act claim or claims to the extent he contends that he has any, so this wouldn't fully resolve the claim objection -- or the claim, in any event, necessarily. And you mentioned just a minute ago that

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at a minimum you need a date certain for Mr. Spicer to do whatever he's going to do. I assume that if the -- what the city is looking -- or what the department is looking for here is -- among other things maybe, is some date certain by which Mr. Spicer must file a lawsuit in an appropriate nonbankruptcy court on whatever discrimination claims he wants to pursue, and -- for the purpose of liquidating those claims, and your position is that as we sit here today even that Mr. Spicer is not barred by the -- not by the automatic stay in the case but also not by the discharge injunction or the -- that's in the confirmed plan or in the statute from filing such a suit for the purpose of liquidating the claim only, not for the purpose of trying to enforce it against property of the city if he gets a judgment. So what exactly is it you want the Court to do today on this?

MR. KILPATRICK: I would like disallowance of the \$200,000-plus claim because it is not based upon anything in reality. I would suggest to the Court a practical resolution to this issue, that being to set a date certain for Mr. Spicer to do whatever he's going to do so that we can come up with an ascertainable amount, I mean with some certainty, of what his entitlement is to participate in the pool of -- the distribution from the estate.

THE COURT: Well --

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MR. KILPATRICK: We are also resolving many issues

with AFSCME and a number of other employees, and if he wants to participate in that with Mr. Schwartz, that would be fine as well.

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THE COURT: Well, let me hand you and Mr. -- for you and Mr. Spicer a copy of this to -- I'll be sure that you're both looking at the same thing when I ask you about this. This is a copy I'm giving to each of you that I printed up of the stipulation and the resulting order that was entered in July regarding the claim of Richard Hall and how that matter was -- the timeliness issue in that matter was resolved, and it's not exactly the same situation. I understand that. in terms of this date certain point that you're making, is this the kind of thing you want the Court to order; that is, to rule that Mr. Spicer may file in an appropriate nonbankruptcy court any lawsuit in order to liquidate his claim -- his discrimination retaliation claim that's in his proof of claim and then setting a deadline, whether it's 45 days or 30 days or whatever it may be, for him to do so or the consequence would be that his claim will be deemed timebarred with respect to the federal claims and perhaps even disallowed as to all the claims? Is that the idea?

MR. KILPATRICK: Yes, it is, your Honor.

THE COURT: So when you -- you said a minute ago you want disallowance of his claim because the 200,000-plus amount of his claim doesn't have any basis in reality.

That's really for -- to be determined in this process by which his claim is going to be liquidated through litigation, I guess, isn't it, unless it's settled by the parties?

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MR. KILPATRICK: That's correct, your Honor.

THE COURT: Is that the idea? Okay. All right.

MR. KILPATRICK: But in any event, I don't want allowance of that claim as for participation purposes in the distributions.

THE COURT: Sure. Yeah. And I guess --

MR. KILPATRICK: Those distributions are in prospects at the beginning of next year, so, again, for all purposes, I don't want that to be allowed at this point until there is a determination of the actual amounts.

THE COURT: Sure. Well, okay. So what would you -- what would you ask that I set as a date certain for Mr. Spicer to file his lawsuit for this purpose?

MR. KILPATRICK: Forty --

THE COURT: How much time do you want me to -- I can ask him what he wants, but how much time do you want me to give him?

MR. KILPATRICK: Forty-five days, your Honor.

THE COURT: Forty-five? So that's the amount of time Mr. Hall got in this order that I handed you both. Well, let me hear from Mr. Spicer for a moment about all this. Mr. Spicer, basically the situation is you have

this -- based on what -- as I understand it now at this point is you have -- you filed this proof of claim in the bankruptcy case. The department has objected to it. procedure by which you need to -- you and the department need to litigate the claim in order -- we call it liquidating the claim; that is, to reduce it to a judgment. If you can't agree on a settlement of the claim between you and the department, you have to litigate it for the purpose of resolving, you know, who's right and how much -- and how much the claim is, so the idea is you would have to file a lawsuit in an appropriate nonbankruptcy court on your discrimination claim for the purpose of obtaining a determination -- a judicial determination in that lawsuit -- a judgment determining whether your claim is valid and, if so, the amount of your claim. And once you have done that, then your claim would be allowed in the bankruptcy case in whatever amount that nonbankruptcy court litigation determined the claim was valid in. If that litigation determines that the claim is not valid and you lose completely, then your claim would be disallowed in its entirety here, so that's the idea. There has to be a place and a process for you and the department to litigate this claim for purposes of fixing the Is it a valid claim or isn't it, and, if so, what's the amount by which the claim would be allowed? And if you get your claim allowed in a specific amount, some specific

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amount, at some point through that process, then it would be allowed in that amount in your bankruptcy case, and you would get a distribution, according to the confirmed plan, pro rata along with everybody else in your class, which I think is Class 14, based on the allowed amount of your claim compared to the allowed amount of all the other allowed claims.

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Now, I know you're not represented by an attorney at least in this bankruptcy case, and I don't know if you've taken advantage of an opportunity you've had for many months now to get some legal advice from an attorney about all this, but I want to give you an opportunity to speak and say what you would like to say here. I am inclined to enter an order of the type that Mr. Kilpatrick has described in the hearing today, not one that disallows your claim at this point or allows it but, rather, one that sets the process and a deadline for you to file a lawsuit to get this claim litigated, so what do you want to say about this?

MR. SPICER: Well, all I can say is I got paperwork saying that it was going to go to the ADR process. Other claimants have gotten their okay for ADR process. Even in counsel's objection he writes that Mr. Schwartz and the City of Detroit purposely didn't send me one, so I don't know how it works, but if that's how it has to go, that's how it has to go. I was inclined that -- to believe that legally and morally and most of all ethically that they would have -- by

the attorney that they would have contacted me about these situations, which they failed to do so, and it's in his own write-up that they did fail to do so.

THE COURT: Well, I think what you're saying is that when this ADR process went forward, you weren't given notice of the ADR evaluation hearing --

MR. SPICER: Yes.

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THE COURT: -- so you didn't attend because you didn't know about it --

MR. SPICER: The date.

THE COURT: -- I assume is what you're saying.

MR. SPICER: Right.

THE COURT: And the process went ahead without your input, and you would have liked to have been there and participated in that. Are you saying that you want some sort of ADR process to go forward on your claim now that would include your participation?

MR. SPICER: Yes. Yes, sir, I do, because it was omitted by counsel. Like I said. It's in his paperwork that they omitted to notify me of any of these processes.

THE COURT: All right. Now, let's assume that happens. And I'm going to ask Mr. Kilpatrick if he -- what he thinks about that, doing that again now essentially, but assuming either that doesn't happen or it happens and you don't settle, you're going to have to file a lawsuit --

MR. SPICER: Yes, sir.

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THE COURT: -- against the city in order to liquidate the amount of the claim, as I said, unless at some point you and the department reach a settlement -- an agreed settlement that would settle the amount of the claim --

MR. SPICER: Yes, sir.

THE COURT: -- to be allowed. So you're going to -you may have to at some point file suit, and it may be fairly
soon, file a lawsuit. Whether you do that with the help of
an attorney or not is going to be up to you. You have a
right, of course, to hire any attorney of your choosing to
represent you not only in this bankruptcy case but in filing
such a lawsuit -- a discrimination lawsuit, but you also have
a right to do that without an attorney. It's going to be up
to you how you do that. All right. Anything else you want
to say before I ask further questions of Mr. Kilpatrick?

MR. SPICER: No, sir, your Honor.

THE COURT: Mr. Kilpatrick, what about this ADR process? I hear Mr. Spicer saying he'd like to go through that and participate in it. Is that something that's possible at this point, feasible, worth doing?

MR. KILPATRICK: Your Honor, I don't think that it's feasible at this point, and I really don't have authorization from the department to agree to that type of resolution. I know that Mr. Schwartz is in the process, again, of

negotiating with various parties. There were a number of claims that weren't addressed as part of the plan that belong specifically to the department, and he's trying to liquidate those claims. I can -- I'm willing to find out if the department is willing to include this claim as part of that claims resolution process, but, again, I cannot agree to and I don't think that it's practical to do the ADR.

THE COURT: This claims resolution process that's going on now, is that something different than the ADR procedures under the ADR order?

MR. KILPATRICK: Yes, it is. Yes, it is.

THE COURT: Okay.

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MR. KILPATRICK: It's actually a sort of mediation facilitation type process just to work through the claims quickly. People know that they're going to get pennies on a dollar, and rather than waste more money, people are taking very practical -- and as you see, I'm taking a very practical approach to this rather than making legal arguments today. Let's set a time certain. Let's get it moving so that whatever small amount is paid out of the pool is paid and get the claim allowed. That's what Mr. Schwartz is doing. Again, I will make the inquiry and encourage both Mr. Spicer and Mr. Schwartz to work together to come to -- to have whoever is working with him to facilitate those claims facilitate this one as well, but I --

THE COURT: I guess the idea is -- perhaps what you're -- part of what you're thinking is if we just -- if I just enter an order today that requires Mr. Spicer to file suit within 30 -- within 45 days, as you've suggested, you still have the question, well, if he files suit or even before he has to file suit, what are the parties going to do to try to talk to each other to try to resolve this without a lot of litigation expense? And you're saying that sort of consideration will happen whether the Court orders some sort of mediation or ADR process now or doesn't --

MR. KILPATRICK: Correct.

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THE COURT: -- right? And so you're suggesting that the Court should just leave that piece of it alone and at this point just order this 45-day deadline for filing suit.

MR. KILPATRICK: That's correct.

THE COURT: Is that the idea?

MR. KILPATRICK: That's correct, your Honor.

THE COURT: So I'm just kind of looking at this order involving Richard Hall as a sort of blueprint for the kind of order that you're suggesting today. Again, it's not exactly the same, but should we follow that pattern, or would you want to say something different in the order other than -- I mean you've got, for example, in this Richard Hall order, which, for the record, is on the file -- in the file at Docket Number 10102 in this case -- I guess would you want

this pattern, paragraphs one through three, something like this or parallel to this said regarding Mr. Spicer's claim?

MR. KILPATRICK: Paragraph one is sort of difficult. I would like it to read that the Court is going to hold its ruling in abeyance pending actions to be brought by Mr. Spicer.

THE COURT: So hold it in abeyance?

MR. KILPATRICK: Yes.

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THE COURT: You mean what? Set it -- see, if you want to keep it pending, I guess the -- I would -- instead of just adjourning it without date, I would want to adjourn it to a date specific. It can be one --

MR. KILPATRICK: In six months. Six months.

THE COURT: -- quite a way down the road, but we could do that rather than withdraw it at this point if that's what you're saying.

MR. KILPATRICK: That's correct, your Honor.

THE COURT: So something like adjourn it for further hearing to be held -- you said six months.

MR. KILPATRICK: Yes.

THE COURT: So something like that for the paragraph one concept. What about two and three?

MR. KILPATRICK: Two I cannot agree to. Whatever the time limits are that exist are the time limits that exist, and if they've expired, they've expired. I do not

have authority from the client to waive any applicable statutes of limitation because, in essence, what that would do would give the ability to, once again, visit the Title VII action. If, indeed, those have expired, those -- again, Mr. Spicer was aware as of April that we had an argument, and the Court sua sponte raised the issue of 108(c) which gave additional time to bring that action even while this was pending. I simply am without authority. I can check with the client, but -- to see if they would be willing to do that.

THE COURT: Well, where do you want the Title VII federal discrimination claims statute of limitations issue to be litigated? You don't want that litigated in this court? You want to litigate that in some state court? And is that going to be a problem for the state court saying, "Well, hey, you know, this is bound up in the effect of -- I mean this ought to be decided by the bankruptcy judge," is what that judge is going to say --

MR. KILPATRICK: Well --

THE COURT: -- right?

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MR. KILPATRICK: Why don't we reserve the issue if there is a -- I think that any action that should -- that would be brought would be brought under the Elliott-Larsen Act in state court. Reserve the issue of the Title VII action until the adjourned date for the hearing on this claim

objection.

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THE COURT: So the debtor would go forward only on an Elliott-Larsen Act claim in litigation and --

MR. KILPATRICK: Or if he wants to file -- if he wants to file suit here on the Title VII action, that'll be fine. Again, I don't have -- again, I'm without authority. I'm without authority to waive statutes of limitation, and that's something that I would have to get client consent on. Otherwise I'd be in trouble.

THE COURT: Well, it seems to me this Court needs to decide --

MR. KILPATRICK: The Title VII action?

THE COURT: -- the statute of limitations issues that you have argued in your briefs --

MR. KILPATRICK: That's correct.

affected by issues of federal bankruptcy law and federal law, including the federal law regarding tolling that may come up that I was going to ask you about if this went forward on a disputed basis today not too much unlike what -- the discussion I had with Mr. Simon when he was representing the city in the last hearing that we had on the objection to the city's claim -- the city's objection to claim of Richard Hall. I don't know if you've read the transcript of that hearing or not, but it was -- some of the same questions or

issues arise. It's a little different in this matter. understand that. You've got an argument that Mr. Simon did not have in the Richard Hall matter that you're making as to why you think the discharge injunction under the confirmed plan under the statute was modified to permit Mr. Spicer here to file his Title VII claim long ago, and he hasn't done it. In the Hall situation the city didn't really have an They weren't making an argument to that effect because I think Hall had not gone through this ADR procedure, which is sort of the basis for you arguing about this discharge injunction here, but it seems to me this Court needs to decide that issue rather than some nonbankruptcy court, so -- if it's to be ruled on rather than resolved by some sort of agreement here between the parties, so I guess perhaps what that means is that you can see whether you or your client wants to waive that argument and that issue or not, and if they don't, then we'll tee it up, and I'll rule on it. Perhaps you should see about that -- have a chance to see about that before we tee it up and I rule on it rather than trying to do that today, but I don't know. Did you want to say anything else about that piece of this? MR. KILPATRICK: No. No, your Honor. Again, that's one part that I do have to get client consent on, and I

25 THE COURT: All right.

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will --

MR. KILPATRICK: And I'm aware of the Hall proceeding and the discussions, and I will share those with the client as well.

THE COURT: Okay. As I said, there's a transcript even of the hearing -- the last hearing I had with -- on the Hall matter in July on file, and I didn't get to the point of ruling. I think I was going to rule on the Hall matter in a bench opinion on August 5, but before we got to that, the stipulation was entered and the order was entered resolving the Hall piece of -- issues, so I didn't rule on that issue. Well, and then I assumed you would like something like paragraph three in the Hall order put in any order that's -- regarding Mr. Spicer.

MR. KILPATRICK: Correct.

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THE COURT: Well, so is this something that I should give you an opportunity to talk to your client about and you and Mr. Spicer to talk about, see if you can work out an agreed order on this?

MR. KILPATRICK: Yes, your Honor. I think that would probably be the best thing.

THE COURT: You know, I don't like to keep --

MR. KILPATRICK: I don't --

THE COURT: -- dragging this out, but, you know, we might be on the verge of some sort of --

MR. KILPATRICK: Resolution.

THE COURT: -- agreed resolution of this -- of where this should go exactly. Well, so I think I'll do that. How much time? That means I'm going to have to set an adjourned -- another adjourned -- or a further hearing on this.

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MR. KILPATRICK: My October is horrible. I'm at the Advisory Committee on Bankruptcy Rules, the National Bankruptcy Conference, and three meetings in Washington in October. The next time I'm back will be the beginning of November.

THE COURT: Well, although you can see if you can get this resolved much sooner than that, of course.

MR. KILPATRICK: I'm going to try to. I'm going to try to resolve it as we walk out of here.

THE COURT: Okay. Subject to you getting authority from your client; right?

MR. KILPATRICK: That's correct, your Honor.

THE COURT: Well, if I even try to adjourn it a week, you'd probably be at the NCBJ meeting next Wednesday.

MR. KILPATRICK: The NCBJ and then the Federal Rules Committee. The Advisory Committee on Bankruptcy Rules meets the end of next week.

THE COURT: So the 30th, a week from today, you're not available?

MR. KILPATRICK: I'm not, your Honor.

THE COURT: No. All right. So then you're saying you jump in -- we jump into November?

MR. KILPATRICK: Please.

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THE COURT: November 4 is the first Wednesday in November. Are you available that day for a hearing at -- I guess we would make this 1:30 p.m. on -- well, actually, we'd need to make this later in the day for Mr. Spicer's benefit probably again for another 4:30 deal.

MR. KILPATRICK: Your Honor, I'm the chair of the Merit Selection Committee, and those are the days for our interviews, the 3rd and the 4th.

THE COURT: Oh, okay. The 11th is the next Wednesday. That's the Veterans Day holiday, so there's no court that day. The 18th at 1:30 --

MR. KILPATRICK: That would be fine.

THE COURT: -- of November?

MR. KILPATRICK: That would be fine, your Honor.

THE COURT: At 4:30, rather. I'm sorry. 4:30. Mr. Spicer, you heard the discussion. I'm going to set a further hearing date but with the hope that you and Mr. Kilpatrick and his client will be able to work out a resolution that will make it unnecessary for you to come back for this further hearing, but in case you're not able -- the parties are not able to do that, then we're going to need to have a further hearing. I've suggested November 18 at -- if you

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still need a late in the afternoon time like we did today --1 2 MR. SPICER: I would, your Honor. 3 THE COURT: -- because of your work schedule, I can 4 do that. We can make it 4:30 p.m. again. Does that work? 5 MR. SPICER: Yes, sir. 6 THE COURT: So if a further hearing does have to go 7 forward, you can make it on November 18 at 4:30? 8 MR. SPICER: Yes, sir. THE COURT: All right. We'll do that November 18 at 9 10 4:30, but, you know, again, with the hope that the parties can reach a resolution -- an agreed resolution as to exactly 11 how they're going to go forward to liquidate this claim, so 12 13 is there anything else that we need to talk about today then 14 on this, Mr. Kilpatrick? 15 No, your Honor. MR. KILPATRICK: THE COURT: Mr. Spicer, did you want to say anything 16 17 further? 18 MR. SPICER: No, sir, your Honor. 19 THE COURT: All right. Well, I will -- we'll do 20 that. We'll proceed on this basis, and, you know, if the 2.1 parties can reach an agreement to whatever extent, you'll 22 file a stipulation and submit an order as soon as possible, 23 and I'll --2.4 MR. KILPATRICK: I will work to get --25 THE COURT: -- be happy to look at it.

MR. KILPATRICK: I'll work to get this resolved,
your Honor.

THE COURT: Great. Okay. Well, thank you. Thank
you both.

MR. SPICER: Thank you.

MR. KILPATRICK: Thank you, your Honor.

THE COURT: All rise. Court is adjourned.

(Proceedings concluded at 4:59 p.m.)

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WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

September 28, 2015

Lois Garrett